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FISCAL IMPACT STATEMENT

LS 7785

BILL NUMBER: SB 497

NOTE PREPARED: Jan 16, 2003

BILL AMENDED:

SUBJECT: Home Medical Equipment Services Provider Licensing.

FIRST AUTHOR: Sen. Dillon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a home medical equipment services provider who provides home medical equipment services in Indiana to be licensed by the Indiana Board of Pharmacy (Board). It authorizes the Board to conduct inspections, issue licenses, discipline providers for violations, and adopt rules to: (1) specify the medical equipment to be regulated; (2) set standards for the licensure of entities that provide home medical equipment services; (3) govern the safety and quality of home medical equipment services that are provided; (4) recognize certain individuals; and (5) set reasonable fees for the application issuance and renewal of a license.

Effective Date: July 1, 2003.

Summary of Net State Impact: The *minimum* fiscal impact of this bill on the Health Professions Bureau is an increase in expenditures of \$70,360 in FY 2004 and \$65,000 in FY 2005 for initial start-up costs but could increase depending on the number of providers licensed. Revenue that would be generated from a licensing fee would offset a portion of these expenditures.

Explanation of State Expenditures: This bill establishes licensure of home medical equipment services providers (providers). The fiscal impact of this bill on the Health Professions Bureau is dependent on the cost of additional board meetings, license issuance, and additional staff that are required to be employed to investigate complaints and conduct inspections of home medical equipment services providers.

The seven-member Board of Pharmacy would be responsible for overseeing the licensing process, establishing fees and continuing education requirements, recognizing accreditation bodies, and governing the safety and quality of home medical equipment services. According to the HPB, the Board would need

to meet three additional times to fulfill the provisions of this bill. The estimated cost of travel and per diem for three additional meetings would be approximately \$5,250.

The HPB estimates the annual costs of producing and issuing a license, including: postage, printing, telephone, and supplies, would be about \$9,000.

To start up the inspection process, the HPB would require additional staff to conduct inspections. If one field inspector (PAT III) is needed to conduct inspections and another position (PAT V) is needed to coordinate the inspections, the additional expenditures for the above-listed positions would be \$78,300 in FY 2004 and \$77,700 in FY 2005. Additional field inspectors may be needed, depending on the number of entities who are subject to inspections. Each additional field inspector position costs \$42,600 in FY 2004 and \$42,435 in FY 2005. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. As of October 15, 2002, HPB employed 55 authorized full-time staff members, and had 5 vacancies (two COMOT3 and three PAT5 positions). Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

According to the HPB, field communications equipment would also be needed for conducting inspections. The estimated annual costs for one inspector include: cell and pager, \$720; portable computer, \$1,170; and mobile Internet connection, \$420. The HPB estimates the field inspector would cover approximately 40,000 miles each year, costing \$11,200 at \$0.28 per mile for one inspector. The total annual field work cost, not including staff, is estimated to be \$13,503.

The total expenditures for the Board meetings, providing the license, and two additional staff *initially* are \$70,350 in FY 2004 and \$64,950 in FY 2005. Staff cost could increase depending on the number of inspections needed.

Explanation of State Revenues: Presumably, fees will be set at a level designed to cover expenses. The amount of revenue that will be generated by this proposal will depend on the number of providers who seek licensure. The Association of Indiana Home Medical Equipment Services estimates there are approximately 400 providers who would be subject to licensure under this bill. If 400 providers pay a license fee in an amount to cover the expenses listed above, the cost per license would be \$176, or \$314 if an additional field inspector was needed.

Penalty Provision - This bill provides that if a person engages in the business of home medical equipment services and knowingly provides the services without a license issued according to this bill, commits a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalty Provision* - A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalty Provision* - If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Health Professions Bureau.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Matt Hopper, Health Professions Bureau, (317) 234-1985; Jean MacDonald, Association of Indiana Home Medical Equipment Services, (317) 844-6630.

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